



**ASU INNOVATION CENTER AD HOC WORKING GROUP
SCOTTSDALE STADIUM TEAM SHOP
7408 EAST OSBORN ROAD
SCOTTSDALE, ARIZONA 85251
TUESDAY, JUNE 13, 2006
5:30 PM**

SUMMARIZED MEETING MINUTES

PRESENT: Susan Coykendall
Andrea Michaels
Rita Saunders-Hawranek
James Cramer
Margaret Dunn (departed at 7:18 p.m.)
Steve Steinberg

ABSENT: George Adams
Paul Burns
Kurt Merschman
Marilyn Armstrong

STAFF: Ed Gawf
Kroy Ekblaw

PROJECT REPRESENTATIVES:
Sharon Harper
Don Couvillion
Gary Todd

1. Call To Order And Introductions

Mr. Gawf opened the meeting discussion at approximately 5:32 p.m., followed by introductions of staff, Ad Hoc Working Group Members and citizens.

2. Sky Song Phase III Proposal

Mr. Gawf proceeded with a PowerPoint presentation; highlights of which included an overview of the Ad-Hoc Citizen's Advisory Working Group Guiding Principles, an overview of the Illustrative Site Plan Studies and connectivity of the project to surrounding areas.

In response to questions by Ms. Coykendall, Mr. Gawf explained that the site plan was part of the Ad Hoc report and was generated by Urban Design Associates in Pittsburgh. Mr. Gawf recalled that the Ad Hoc report was not intended to be a prescription of exactly what should be done, but was intended to show that the development of a certain intensity could occur in this area and should extend east and include The Crossings and a connection with Indian Bend Wash.

Continuing, Mr. Gawf presented an overview of revitalization projects currently progressing in the southern part of the City, followed by an overview of SkySong's zoning approval process and the development framework plan.

Mr. Gawf highlighted components of the approved plans for Phase I and II of the project and presented slides depicting the approved site plan with temporary parking, noting that the plan is under construction. He presented sketches of Phase I & II, the plaza and perimeter landscaping, followed by a construction schedule. The first building will be complete in June of 2007; the second building by Fall of 2007.

Mr. Gawf explained that the developer approached the City earlier this year about considering the potential of adding residential to the site. The developer felt very confident with the leasing of the first two buildings. The developer also identified the opportunity to address comments received from various Boards and Commissions regarding parking issues and the request to screen all of the parking on the site. The developer recognized that the construction of the parking structure could occur much sooner with the addition of residential on the site.

Mr. Gawf presented slides depicting the Applicant's Phase III request. The developer is specifically: 1) requesting that City Council modify the lease to allow for residential on the site, 2) asking to construct 325 residential units; and 3) asking to construct a 900 to 1,000 car parking structure. Half of the parked cars will be for the office use and half will be for residential use.

Addressing questions presented to the City during the past couple of weeks, Mr. Gawf explained that the lease agreement between ASU Foundation and the City of Scottsdale, does prohibit residential use. The approval to add residential to the project must be made by the City Council.

Mr. Gawf also noted that the current zoning of PCD specifically allows residential uses. The residential use does not replace the research/office/retail use. The lease agreement requires 1.2 million square feet of office/retail. Of that 1.2 million square feet, 135,000 square will be retail and the rest will be office/ research/innovation use. Mr. Gawf noted that discussions with the developer stress that the emphasis of the project is always on the innovation and technology center. Any residential is predicated upon the construction of office and retail. The developer is required to build the first two buildings. Any residential added after completion of the first two buildings is based upon one residential unit for every 1,000 square feet of office/retail that is constructed thereafter.

Addressing the question related to the residential component being used for ASU student housing, Mr. Gawf explained that even if the leases change, the provision prohibiting student housing, dormitories, and fraternities is clearly stated.

Addressing the question of whether the additional residential in the area will over-burden the area infrastructure, Mr. Gawf noted that an independent traffic consultant firm has been hired to conduct a study of the traffic impacts last fall. The recommendations made by the independent firm were incorporated into the plan. The consultant firm has been asked to update the study with the new proposal. Mr. Gawf noted that an updated infrastructure study will be complete before the proposal goes to City Council. Mr. Gawf further stated that nothing in the infrastructure should be overtaxed; however, anything that is solely needed because of the residential should be paid for by the developer.

In closing his portion of the presentation, Mr. Gawf cited that the objective of the meeting is to obtain comments from the Ad Hoc Working Group so staff has the benefit of their thoughts and can use them in the staff analysis of the project. Comments will also be forwarded to City Council.

Ms. Sharon Harper addressed the meeting. Highlights of her PowerPoint presentation included the Vision for SkySong and marketing for the Center which currently includes eFunds, Inc., Wildfire Broadband and ASU units/programs related to technology innovation and entrepreneurship. Lease negotiations continue.

Ms. Harper addressed Phase III of the project. She noted the significance of building a permanent parking structure with the residential component, in lieu of the temporary parking structure that would be paid for by the City in the current project plan and eventually demolished and replaced with a permanent parking structure pursuant to the current plan.

Mr. Don Couvillion highlighted the ASU programs which will have a presence at SkySong Innovation Center which include entrepreneurial enterprise programs, digital learning research, applied engineering research, arts, media, engineering and industrial design collaboration.

Mr. Couvillion presented a graph depicting the current proposed development schedule. He presented the question: Why now for Phase III and answered that the project has been successful and building of the parking garage sooner than originally planned accomplishes many of the long-term goals. The residential component of the project makes the project more viable and will save money, also resulting in repayment of the City's dollars sooner than originally planned. Fifty percent of the net revenues of the residential project will go to the City to help pay the \$81.4 million.

Mr. Couvillion reiterated several points previously stated by Mr. Gawf and Ms. Harper, and cited endorsement of residential use by various Scottsdale Boards and Commissions. The requested lease amendments will accelerate construction of the first parking structure to match the occupancy of Phase II in the commercial building.

Mr. Couvillion noted that the City is not being asked for any additional financial commitment. The developer will pay for the residential building and the parking associated with the residential building. The residential will be marketed as market rate housing for the general public and the developer is willing to fully commit to the prohibition of dormitories, fraternities or sorority houses. Student housing is not an option.

Summarizing key points, Mr. Couvillion noted that 27 percent of the space is underway versus the target of 12 and 1/2 percent. The investment will represent \$55 million dollars in private money going into the deal in just Phase I and II. An additional \$32 million in private investment will fund the residential use. Mr. Couvillion committed that office and research will always be the primary activities at SkySong.

Mr. Gary Todd presented the proposed residential concept of the project via a PowerPoint presentation. He highlighted the characteristics of a successful viable project, showed an aerial highlighting "walk-ability", addressed the framework plan and noted common amenities. He presented drawings of the proposed courtyards, views of the project from each of the four sides, and various sketches from each of the street views as well as the results of color studies. He also presented plans of each proposed apartment unit and various elevations from each different angle.

The meeting recessed at 7:06 p.m. and reconvened at 7:14 p.m.

3. Ad Hoc Discussion

In response to a question regarding storage space in the apartment, Mr. Todd identified outdoor storage space on each patio and closet storage space under the stairs in the two story lofts.

Mr. Gawf opened the floor to comments by Working Group Members.

Ms. Dunn noted that she works in the subject area and has developed relationships with many of the neighbors. She cited the importance of looking at how this project affects the neighborhoods and the people surrounding this development and stressed that sensitivity to the neighborhoods is of the utmost importance. Ms. Dunn opined that the residential component is an appropriate use at SkySong; however, how it's done needs to be very sensitive to the environment that it is in. She further opined that the project needs to be well-done and cutting edge, but respectful of the historic neighborhood and area. Ms. Dunn believes that the ASU Technology Center will be something far different than a campus and the residential component will therefore not be in danger of becoming dormitory style housing.

Mr. Gawf opened the floor to citizen comments.

Mr. George Knowlton expressed concerns regarding the projected total of 835 apartments as opposed to 325. He expressed concerns regarding market rates, which he identified as 20 to 30 percent below the apartments in Tempe. Mr. Knowlton quoted financial figures and requested that a financial situation be created in the lease where the City receives money on a constant basis and that the City receives a substantial cut in the event that the units are sold. Mr. Knowlton cited concerns regarding the mention of a sales office, the 24/7 concept, financing, reducing vehicular traffic by means of light rail, retail component service and density issues, and parking.

Ms. Darlene Peterson expressed displeasure with the process and questioned how the Ad Hoc Working Group could be asked to vote on this matter at the current meeting. She cited concerns regarding the unaddressed parking structure denoted on Phase I of the project as well as concerns of student occupancy in the residential units. She opined

that residential should not be permitted until the Phase I and II buildings are full. Ms. Peterson also cited that residential was not expected to be a part of the project.

Mr. Gawf clarified that the Ad Hoc Working Group is not being asked to vote. The Ad Hoc's primary purpose is discussion and consensus.

Ms. Barbara Hawthorn expressed concern regarding parking in light of the potential 800 units. She expressed concern over the abundance of housing at the site in conjunction with the planned hotel and opined that 325 units should be the maximum allowed on the site. She questioned whether the Ad Hoc Working Group has been presented with the project ideas and the City's sincerity in forming the Ad Hoc Working Group.

Mr. Tim White expressed excitement and spoke in favor of the project on behalf of the younger community.

Mr. Mike Merrill representing Citizen's for Responsible Redevelopment, expressed support for the technology portion of the project and opposition to the residential component. He is strongly opposed to the proposed 24/7 activities. He addressed various concerns related to parking.

Mr. Cary Ley read from several documents in support of the residential mixed-use component of the project.

Ms. Patty Badenoch questioned why the LEED standard is set at the lowest point. She asked if the residential component will encompass the entire workforce population or will some of the housing needs spill over into the existing neighborhoods. Thirdly, she asked if the transit center is a prelude to light rail.

Ms. Lisa Haskell noted various criminal activities currently occurring in her neighborhood and opined that a well integrated, high end apartment community would be an improved addition to the community.

Mr. John Washington noted that the proposal reflects a major change to the project and suggested that time be invested in looking at the project in accurate context before moving forward. He expressed concerns regarding the current market conditions and the context of additional housing in the area, as well as performing an adequate traffic study.

Mr. Sam West posed questions regarding the effects to the original lease of adding the residential component and requested clarification of the term "net income."

Mr. Jon Anderson cited concerns relative to the lack of investment in the community from residents in a rental community. He suggested that a management company be hired to manage the property, ensure that the quality is kept up and be prohibited from selling the units.

In response to inquiry by Mr. Knowlton regarding the author of the final report, Mr. Gawf explained that a draft was done by UDA, however the document was reviewed and extensively edited by the Ad Hoc Working Group and is the official document of the Working Group.

In response to questions by Ms. Coykendall, Mr. Gawf acknowledged that there needs to be a financial benefit to the City. Ms. Coykendall suggested increasing the \$81.4 million to pay off the additional costs incurred. She noted that the financing costs were not recaptured in the lease agreement as currently written.

Responding to additional questions from Ms. Coykendall, Mr. Todd cited that LEED does not have a certification for residential.

Ms. Coykendall posed the following additional questions:

Why do you want to take the small to mid-size investors out of the picture?

What about retail on the first floor -- how many stories?

Can we have limits in the lease agreement so that there is a restriction on the number of units to be developed on the site overall?

Where does the square footage go that was located on that location? Where does it end up? Does it end up as additional square footage in height someplace else?

Mr. Couvillion explained that if the residential is added to that quadrant and 1.2 million square feet is still done at the 60 foot height limits, open space on the site is still well in excess of the 20 percent that is called for by the Zoning Code. All setbacks and step-backs are maintained.

And why are we doing apartments instead of townhouses and condos as laid out on page 10 of the Guiding Principles?

Mr. Steven Steinberg acknowledged that a residential component has been a part of the project from the beginning. He opined that the residential component will soften the parking and will give the site the 24/7 vitality needed to attract high-tech businesses that need alternative housing for their staff. The improvement will also attract high quality retail. The live/work/play concept is very popular. He opined that commercial will increase traffic more than residential. Mr. Steinberg pointed out that the land is ground lease land as opposed to fee simple. He opined that the residential component is appropriate, if done properly.

Ms. Rita Saunders-Hawranek recalled Working Group discussions identifying various potential residential locations surrounding the site, concluding that residential was not part of the site itself. She expressed concern that the residential component was not disclosed to the Ad Hoc Working Group as part of the original plan for the project. She expressed concerns regarding the lack of confirmed tenants to date.

Ms. Saunders-Hawranek posed the following questions:

With regard to residential, who is looking at traffic? Where is Mary O'Connor in all of this? Where is the traffic study?

Where's the EIR/EIS? If we can build to LEED Certification at a Senior Citizen's Center, why can't we build apartments to LEED certification?

How much profit is the City going to get out of the amended deal? Is it gross profit? Is it net profit? And what constitutes net profit when you're dealing with a foundation that is a non-for-profit?

What kind of benefit is this neighborhood going to get out of 24/7?
expressed a desire to see the project reevaluated/reconsidered

Ms. Saunders-Hawrennek expressed displeasure with the overall process surrounding current events related to the project as well as rushing through the project into finality before further discussion of the matter with area neighbors. She believes the neighbors are entitled to be heard and have input. In closing, she stressed that straight-talking and honesty between developers and residents is how a community grows in harmony.

In response, Mr. Gawf explained that Mary O'Connor was unable to attend the meeting due to illness. Ms. O'Connor is in charge of completing the traffic study. Parsons Brinkerhoff has been hired to update the original traffic study for the project. The developer is working very closely with Anthony Floyd to make the project a green building. PCD zoning does allow residential. The lease with ASUF prohibits residential unless City Council opts to change the lease, regardless of the zoning.

Mr. Jim Kramer recalled guiding principle discussions, wherein Working Group Members chose not to restrict residential. He also recalled that the framework development document was produced and finalized before the developer was selected. He noted that one area that the Ad Hoc Working Group was very focused on related to the appearance of the site when the first buildings occurred. He opined that residential is very appropriate and complimentary to the success of the project going forward.

Ms. Andrea Michaels recalled prior Ad Hoc Committee meeting discussions, noting that the consensus resonated with the unanimous request of including residential as part of the project; a live/work environment. Additional topics of discussion included "family friendly and accessible environment", which she noted were not a part of the document because residential was a part of the lease agreement. In closing, she expressed excitement regarding the revitalization efforts occurring in the area.

Ms. Nancy Cantor cited concerns addressed at the Housing Board meeting and the Board's desire for a SkySong presentation. Ms. Cantor addressed the revitalization efforts in south Scottsdale and expressed concerns related to the lack of citizen input solicited for the project. She is opposed to the design of the apartment complex due to the limited open spaces and stressed the need for quality workforce housing in Scottsdale.

Mr. Gawf acknowledged that outreach to the neighborhoods continues to be ongoing.

4. Wrap Up

5. Next Steps

ADJOURNMENT

With no further business to discuss, the meeting adjourned at 8:37 p.m.

Respectfully submitted,
A/V Tronics, Inc.